



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Intex Technologies (India) Limited (ITIL)

April 30, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Long Term Fund Based Limits	39.00	IVR BB+ [IVR Double B Plus] (Credit Watch with Developing Implications)	Revised from IVR BBB+ with Stable Outlook (IVR Triple B Plus with Stable Outlook)
2.	Long Term Debt - Term Loan	11.04	IVR BB+ [IVR Double B Plus] (Credit Watch with Developing Implications)	Revised from IVR BBB+ with Stable Outlook (IVR Triple B Plus with Stable Outlook)
3.	Long Term Non-Fund Based Facilities	1.00	IVR BB+ [IVR Double B Plus] (Credit Watch with Developing Implications)	Revised from IVR BBB+ with Stable Outlook (IVR Triple B Plus with Stable Outlook)
4.	Short Term Non-Fund Based Facilities	95.00	IVR A4+ (IVR A Four Plus) (Credit Watch with Developing Implications)	Revised from IVR A2 (IVR A Two)
	Total	146.04		

Details of Facility are in Annexure 1

Detailed Rationale

The revision in the rating factors in the overdrawals in the CC account of the company. The rating continues to factor in the experienced promoter and management, long track record of operation and established brand name, comfortable capital structure, prepayment of debt obligation in the recent past, diversified product portfolio and extensive distribution network. The rating however, is constrained by moderation in growth & profitability and high competition in the consumer durables & IT hardware segment. Turn around in operation, maintaining debt metrics and profitability are the key rating sensitivities.



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Infomerics has placed the rating assigned to ITIL under "Credit Watch with Developing Implications" due to the impending status of the approval from the bankers regarding appropriation of the cash collateral to clear the overdues in the account.

List of Key Rating Drivers along with Detailed Description

Key Rating Strengths

Experienced Promoter and management

The company was incorporated in 1996 by Mr. Narendra Bansal present CMD, a first generation entrepreneur. He has vast experience of over 25 years in the IT industry. His son, Mr. Keshav Bansal is a Director in the company. There are other members including three independent Directors on the Board who are highly qualified & experienced, adding credence & professionalism in the governance of the company.

Long track record of operation and established brand name

The company has long track record of operation of over two decades and has established its dominance in computer peripherals segment through its brand "INTEX". The company capitalized on its established brand name for entering the mobile handsets and consumer durables segment.

Comfortable capital structure

The company has a comfortable capital structure with long term debt equity ratio being at 0.14:1 and overall gearing ratio being at 0.48x as on March 31, 2018. Also, TOL/TNW ratio of 1.45x as on the last two account closing dates also indicates very comfortable leverage position on overall basis.

Prepayment of debt obligation

The company has prepaid debt obligation aggregating Rs.80.04 crore in FY19, in addition to scheduled repayment obligation of Rs.20.96 crore. Resultantly, the total debt level is reduced by approximately Rs.100 crore in 9MFY19.



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Diversified product portfolio

ITIL has a diversified portfolio consisting of more than 250 products across different verticals. Mobile handsets, consumer durables, IT hardware and mobile accessories contributed approximately 55%, 30%, 12% and 3% respectively, to the total sales in FY18. The wide array of products help the company to withstand fluctuations in the market demand across various segments. With intense competition in the mobile segment and declining sales of its mobile phones, the company has shifted its focus towards the consumer durables and other segments.

Extensive distribution network

The company has an extensive and well-established distribution network spread across the country, which comprises around 1,000 distributors and approximately 1,00,000 dealers. ITIL also has retail presence through its brand stores (50) under the brand name 'Intex Smart World'. The company's products are also available at over 250 dedicated Points of Sale present in hyper market chains.

Key Rating Weakness

Moderation in growth and profitability

The scale of operation of the company declined considerably from Rs.6282 crore in FY16 to Rs.2799 crore in FY18, on account of demonetisation, GST implementation coupled with reduction in revenue contribution from the mobile handset segment. The company has reported negative PBT of ~Rs.126 crore in H1FY19 on total income of Rs.892 crore primarily driven by losses in the mobile handset division. However, the company has taken measures to reduce its fixed overheads and debt level to improve its profitability. As a result, the operation of the company turned profitable in Q3FY19.

Overdrawals in the CC account

The client has been requesting the banks to adjust their cash collaterals to clear the overdrawing on account of LC bills and bring down the liability within the limit. However pending approval from competent authority, the cash collateral could not be adjusted towards this and subsequent bills had fallen due resulting in overdrawals in CC account.



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High competition in the consumer durables and IT hardware segment

The consumer durable industry is fragmented with the presence of both domestic and foreign players leading to stiff price competition. Aggressive online sales recorded by new entrants and stiff competition faced by domestic players have substantially changed the market share picture in the industry. The IT hardware market is highly price sensitive and fragmented with the presence of large number of unorganized players. This has resulted in stiff price competition and traditionally moderate to low margins.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity

The long-term debt of the company, on overall basis, is low and hence, debt servicing obligations are majorly on interest and working capital borrowings. The company has been repaying/prepaying its debt obligations out of liquidation of mutual fund investments, optimization in level of current asset, equity infusion and GST recovery. The promoters had infused fresh capital of Rs.4.80 crore till January 15, 2019 to support the operations. The client has been requesting the banks to adjust their cash collaterals to clear the overdrawing on account of LC bills and bring down the liability within the limit. However pending approval from competent authority, the cash collateral could not be adjusted towards this and subsequent bills had fallen due resulting in overdrawals in CC account.

About the Company

The company was incorporated in 1996 by Mr. Narendra Bansal who is currently having over 25 years of experience in the IT industry. The company started its operation with IT Hardware and added other products namely mobile handsets, mobile accessories and consumer durables over the past two decades. ITIL has a diversified portfolio consisting of more than 250 products



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across different verticals. The company currently operates manufacturing facilities in Jammu, Baddi (Himachal Pradesh) and Noida. Intex is an ISO 9001:2008 certified company. The company is the owner of the brand “Intex” and reaches out to its retail customers through a wide distribution network.

Financials (Standalone Basis)

(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	4119.52	2799.61
EBITDA	35.24	15.68
PAT	145.53	13.86
Total Debt	172.56	233.03
Tangible Networth	471.02	481.27
EBITDA Margin (%)	0.86	0.56
PAT Margin (%)	3.35	0.49
Overall Gearing Ratio (x)	0.37	0.48

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Facilities	Long Term	39.00	IVR BB+ [IVR Double B Plus] (Credit Watch with Developing Implications)	IVR BBB+/Stable Outlook (January 22, 2019)	--	--
2.	Term Loan	Long Term	11.04	IVR BB+ [IVR Double B Plus] (Credit Watch with Developing Implications)	IVR BBB+/Stable Outlook (January 22, 2019)	--	--



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3.	Non- Fund Based Facilities	Long Term	1.00	IVR BB+ [IVR Double B Plus] (Credit Watch with Developing Implications)	IVR BBB+/Stable Outlook (January 22, 2019)		
4.	Non- Fund Based Facilities	Short Term	95.00	IVR A4+	IVR A2 (January 22, 2019)		

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crores)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	--	--	--	39.00	IVR BB+ /Stable Outlook
Long Term Debt - Term Loan	--	--	March 2020	11.04	IVR BB+ / Stable Outlook
Long Term Non-Fund Based Facilities - BG	--	--	--	1.00	IVR BB+ / Stable Outlook
Short Term Non-Fund Based Facilities - LC	--	--	--	95.00	IVR A4+